

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15
NSCE-00 SSO-00 ICAE-00 INRE-00 DOEE-00 /120 W
-----006178 271217Z /50

O 271202Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 6863
INFO USMISSION GENEVA
AMEMBASSY PARIS
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 10396

USEEC

PARIS FOR OECD

GENEVA ALSO FOR MTN

E.O. 11652: GDS
TAGS: ETRD, EEC
SUBJECT: DRAFT STEEL RESOLUTION WORKING GROUP SESSION OF
US/EC CONSULTATIONS, MAY 26

1. AT THE INITIATIVE OF THE EC, WORKING GROUP MET MAY 26
TO TRY TO RESOLVE DIFFERENCES UNRESOLVED IN MAY 25 SESSION
(SEE SEPTTEL). EC DEL HEADED BY LOEFF OFFERED PROPOSALS ON
SEVERAL POINTS WHICH SOUGHT TO PLAY DOWN ANY COMMITMENTS
TO GATT UNDER THE AGREEMENT. US DEL (LED BY BARRACLOUGH)
ATTEMPTED TO FOCUS ON THIS CRITICAL ISSUE BY OFFERING CON-
CESSIONS ON SOME POINTS, E.G. THE REQUIREMENT TO REPORT
ANTIDUMPING AND SAFEGUARD ACTIONS TO GATT REASONING THAT
SUCH OBLIGATIONS EXIST UNDER THE GATT ANYWAY AND THEREFORE
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THE RESOLUTION SHOULD ONLY REQUIRE REPORTING TO THE STEEL
COMMITTEE, BUT TRYING TO REINSERT GATT-RELATED LANGUAGE ON
OTHERS. EC, HOWEVER, WAS UNABLE TO RESPOND WITH SIMILAR
FLEXIBILITY. ON KEY ISSUE OF RESPONSIBILITY TO TAKE QR.S
UNDER GATT ARTICLE XIX, THE EC BACKED OFF ASSURANCES GIVEN
TO COOPER IN THE PLENARY AND REFUSED TO ACCEPT THE LINKAGE.

2. REVISED KEY SECTION OF AD REFERENDUM DRAFT TEXT CONCERNING INITIAL COMMITMENTS FOLLOWS:

BEGIN TEXT:

A. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO THE FOLLOWING MULTILATERAL GUIDELINES WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

1. NO ACTIONS SHOULD BE INCONSISTENT WITH GATT PROVISIONS.

2. WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS POSSIBLE.

3. ALL ACTIONS SHOULD BE REPORTED TO THE STEEL COMMITTEE PROMPTLY.

4. ALL ACTIONS SHOULD BE CLOSELY RELATED TO ANY POLICIES FOR THE STRUCTURAL ADAPTATION OF INDUSTRY. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED REGULARLY TO THE STEEL COMMITTEE.

5. WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY A MEMBER SHALL TAKE INTO ACCOUNT THE CONCERNS OF TRADING PARTNERS THAT TRADITIONAL TRADE FLOWS BE NOT SEVERELY DISRUPTED.
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6. ACTIONS PURSUANT TO THE ANTI-DUMPING CODE ARE INDICATED WHEN INJURY TO THE DOMESTIC INDUSTRY IS DUE TO DUMPING.

7. PRICE GUIDELINES ESTABLISHED PURSUANT TO THE INTERNATIONAL ANTIDUMPING CODE ARE APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTANTIAL EXCESS CAPACITY IN MAJOR EXPORTING COUNTRIES, WIDE-SPREAD PRICE CUTTING BY MANY EXPORTERS OVER MANY PRODUCTS IN THE IMPORTING MARKET OR ON WORLD MARKETS, AND DEPRESSED DOMESTIC INDUSTRY CONDITIONS SUCH AS LOW CAPACITY UTILIZATION, PROFITS; SALES, INVESTMENT, AND EMPLOYMENT. THE STEEL COMMITTEE SHOULD REGULARLY REVIEW THE NEED FOR SUCH MEASURES. SUCH ACTIONS SHOULD BE EXPEDITIOUSLY REMOVED OR LIBERALIZED AS CONDITIONS IMPROVE.

8. PRICE GUIDELINES ESTABLISHED PURSUANT TO THE ANTIDUMPING CODE SHOULD NOT EXCEED THE LOWEST PRICES OR THE SUMS OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEAD), PROFIT, DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES, IN THE SUPPLYING COUNTRY OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION ARE PREVAILING.

9. PRICE RELATED MEASURES ARE PREFERRED WHEN GATT ARTICLE XIX ACTIONS ARE TAKEN IN THE STEEL SECTOR. BEGIN SQUARE BRACKET: QUANTITATIVE RESTRICTIONS MAY ONLY BE TAKEN PURSUANT TO ARTICLE XIX OF THE GATT. END SQUARE BRACKET.

10. THE NEED FOR CONTINUATION OF ARTICLE XIX MEASURES SHOULD BE REVIEWED REGULARLY BY THE STEEL COMMITTEE, INCLUDING CONSIDERATION OF PROGRESS TOWARD RESTRUCTURING. IN THE EVENT THAT THE STEEL COMMITTEE FEELS THAT AN ACTION IS OR CONTINUES TO BE WARRANTED, THE PARTICIPATING GOVERNMENTS WILL REFRAIN FROM EXERCISING THEIR RIGHTS TO PROCEED TO THE WITHDRAWAL OF SUBSTANTIALLY EQUIVALENT CONCESSIONS.

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NSCE-00 SSO-00 ICAE-00 INRE-00 DOEE-00 /120 W
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 6864
INFO USMISSION GENEVA
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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 10396

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11. PROVISIONAL ACTIONS IN CRITICAL CIRCUMSTANCES UNDER GATT ARTICLE XIX ARE APPROPRIATE ONLY WHEN THERE ARE SEVERE UNEMPLOYMENT OR UNDEREMPLOYMENT, DEPRESSED INDUSTRY CONDITIONS, AND SHARP ACCELERATION OF IMPORTS OR IMPORT SHARES THAT THREATEN IRREPARABLE DAMAGE TO THE DOMESTIC INDUSTRY BY IMPAIRING THE FINANCIAL VIABILITY OF COMPETITIVE FIRMS.

12. BEGIN SQUARE BRACKET: MEMBERS OF THE COMMITTEE UNDER-
TAKE NOT TO AUTHORIZE, OR ACQUIESCE IN, THE AVOIDANCE OF
THESE COMMITMENTS. END SQUARE BRACKET. END TEXT.

13. SENTENCES IN SQUARE BRACKETS IN ABOVE TEXT ARE NOT
AGREED TO BY EC. AFTER THE MEETING, EC NORTH AMERICAN
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DIRECTOR MEYNELL AGREED TO REMOVE A SENTENCE IN POINT NINE
WHICH HAD APPEARED IMMEDIATELY BEFORE BRACKETED SENTENCE
AND WHICH READ QUOTE SUCH MEASURES SHALL TAKE ACCOUNT OF
TRADITIONAL TRADE FLOWS TO AVOID DISRUPTIONS UNQUOTE ON
THE GROUNDS THAT A SIMILAR IDEA ALREADY APPEARS IN POINT
FIVE. HOWEVER, LOEFF LATER APPEARED TO PREFER THAT
SENTENCE REMAIN AS IT WAS THOUGH HE AGREED TO LET TEXT
ABOVE GO FORWARD WITHOUT IT FOR NOW ON GROUNDS THAT THE
TEXT IS AD REFERENDUM. WE WILL TRY TO CLARIFY THIS POINT
WITH THE COMMISSION LATER. HINTON

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